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## ENTERPRISE FUNDS

### Airport Operating Funds

Operating funds for the Airport Department consist of the following: the Airport Customer Facility and Transportation Fee Fund, the Airport Revenue Fund, the Airport Maintenance and Operation (M&O) Fund and the Airport Surplus Revenue Fund. For this presentation the Airport Fiscal Agent Fund is shown in a separate table below.

#### *Airport Operating Funds*

(\$000s)

	Budget	Actual	Variance	Percent Variance
<i>Revenue</i>	\$ 214,460	\$ 206,171	\$ (8,289)	(3.9%)
<i>Expenditure</i>	229,178	212,062	17,116	7.5%
<i>Fund Balance (est.)</i>	33,707 *	39,921	6,214	18.4%

\* Refers to the 2005-2006 Ending Fund Balance estimate used to develop the 2006-2007 Adopted Budget.

The apparent negative variance in revenues (\$8.3 million) reflects reduced transfers from the Airport Revenue Fund that were unnecessary due to expenditure savings in both operating and capital programs, partially offset by higher than budgeted operating revenue. Transfers into Airport operating funds (budgeted at over \$119 million) are reflected in the revenue variance and the expenditure variances above, but have no overall fiscal impact.

Actual revenues in these four funds ended the year \$2.2 million higher than budgeted. This variance reflects lower contributions necessary from rental car companies (\$391,000), offset by increased revenue collections in other categories (\$2.6 million). Terminal Concessions, Terminal Rental, General and Non-Aviation, Airfield, Petroleum, and Landing Fee revenues all exceeded budgeted levels, and are due to many factors including, but not limited to, rental car concessions, advertising, reimbursement of security costs by the Transportation Safety Administration, rental fees, and interest income. Parking and Roadway revenues ended the year slightly below budgeted levels. Transfer amounts from the Airport Revenue Fund that were budgeted but unnecessary include \$1.7 million to the Airport Surplus Revenue Fund and \$8.5 million to the Airport Maintenance and Operation Fund.

The expenditure variance shown above is the combination of savings, as well as transfers that were unnecessary as described above. In November 2005 the Airport developed a Cost/Position Management Plan that identified approximately \$2.2 million in departmental savings targets. For 2005-2006, operating budget savings actually totaled \$6.5 million in the Airport Maintenance and Operation Fund. Targeted savings were carefully determined to mitigate direct service impacts to Airport customers. The Airport continued to carefully manage supplies, services,

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## ENTERPRISE FUNDS (CONT'D.)

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### Airport Operating Funds (Cont'd.)

training, electric utilities, computer data processing, and lease costs, all of which ended the year with greater than targeted savings.

Additionally, savings related to FMC property lease payments (\$621,000) and workers' compensation costs (\$658,000) contributed to the overall surplus. Personal services savings for the year totaled \$2.4 million and were the result of approximately 40 staff vacancies, as hiring was restricted to only critical service areas. Overtime was also carefully managed with year-end savings of \$123,000. These savings, combined with the conservative use of reserves, is reflected in the total expenditure variance (\$6.5 million).

Also, reflected in the Airport's expenditure variance is a reduction in interfund transfers. As noted in the revenue section, achieved expenditure savings resulted in a decreased need to transfer funds from the Airport Revenue Fund to the Airport Maintenance and Operation Fund and Airport Surplus Revenue Fund (\$10.3 million). Similarly capital project savings decreased the need to transfer funding (\$249,000) from the Airport Surplus Revenue Fund to the Airport Renewal & Replacement Fund.

The fund balance variance of \$6.2 million was the combined result of factors discussed above, including lower than estimated transfers, and expenditure and reserve savings in the various Airport operating funds.

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### *Airport Fiscal Agent Funds*

*(\$000s)*

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 144,727	\$ 23,662	\$ (121,065)	(83.7%)
<i>Expenditure</i>	152,817	32,122	120,695	79.0%
<i>Fund Balance (est.)</i>	44,911 *	44,541	(370)	(.8%)

\* Refers to the 2005-2006 Ending Fund Balance estimate used to develop the 2006-2007 Adopted Budget.

Performance of the Airport Fiscal Agent Fund is summarized in the chart above and reflects adjustments in the schedule of Airport capital projects and associated financing. In 2005-2006, a total of \$122.7 million in bond proceeds had been budgeted to fund North Concourse construction projects. Budgeted proceeds were then to be transferred to the Airport Revenue Bond Improvement Fund for expenditure. However, funding from a previous issuance at the end of 2003-2004 proved sufficient to accommodate project needs in 2005-2006. As a result, no additional bonds were issued resulting in offsetting variances in both the revenue and expenditure categories.

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## ENTERPRISE FUNDS (CONT'D.)

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### General Purpose Parking Fund

The General Purpose Parking Fund accounts for the operations of City parking facilities and parking meters. Financing and capital construction of parking facilities are also accounted for within this fund.

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***General Purpose  
Parking Fund***

<b><i>(\$000s)</i></b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 9,116	\$ 10,429	\$ 1,313	14.4%
<i>Expenditure</i>	18,417	15,106	3,311	18.0%
<i>Fund Balance (est.)</i>	12,329 *	12,338	9	0.1%

\* Refers to the 2005-2006 Ending Fund Balance estimate used to develop the 2006-2007 Adopted Budget.

The positive revenue variance of \$1.3 million is due to higher than anticipated revenues collected in City parking lots (\$885,000), parking meters (\$121,000), miscellaneous revenue (\$54,000), and interest earnings (\$252,000). Revenue collections for 2005-2006 exceeded conservative estimates, and total revenues were \$480,000 (5%) higher than 2004-2005 actual receipts. Parking lot and parking meter revenues increased primarily as a result of increased convention center activities and several Downtown special events that occurred in the past year as well as improved meter reliability as meters were updated to electronic mechanisms that resulted in fewer jammed or inoperable meters.

Savings in the General Purpose Parking Fund for 2005-2006 resulted in a \$3.3 million positive variance from budgeted program expenditures. The majority of the variance to budget is due to unexpended project funds in the Capital Program. When the 2006-2007 Adopted Capital Budget was developed, \$4.4 million was initially rebudgeted to complete capital improvements, which includes: the Second and San Carlos Street Garage Seismic Upgrade project (\$1.8 million); the Parking Guidance System project (\$1.9 million); the Facility Improvements project (\$372,000); and the Revenue Control Equipment Replacement and Integration project (\$280,000). However, the total funds available for rebudget were over estimated by \$1.6 million because actual year-end expenditures in all four projects were higher than expected since more work was completed than originally anticipated. An adjustment of \$1.6 million recommended in this report will correct the excess rebudgeting of expenditures in the 2006-2007 Adopted Capital Budget.

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## ENTERPRISE FUNDS (CONT'D.)

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### General Purpose Parking Fund (Cont'd.)

Most of the remainder of the expenditure variance was due to savings in non-personal/equipment costs for the Department of Transportation (DOT). Non-personal/equipment expenses for DOT were \$387,000 (5.7%) below budgeted estimates due to lower insurance and electricity costs. In addition, contractual services costs were lower than budgeted because several programs were not implemented such as the Valet/Stack Parking and the Car/Vanpool programs. Also, personal services costs for DOT had savings of \$79,000 due to staffing vacancies.

The positive variance of \$9,000 in the ending fund balance primarily reflects higher than estimated revenues (\$778,000) offset by higher than estimated expenditures (\$769,000).

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## ENTERPRISE FUNDS (CONT'D.)

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### San José/Santa Clara Treatment Plant Operating Funds

The San José/Santa Clara Treatment Plant Operating Funds are used for the operation and maintenance of the sanitary sewer system and the regional Water Pollution Control Plant (WPCP). Funds included in this category are the San José/Santa Clara Treatment Plant Operating Fund, San José/Santa Clara Treatment Plant Income Fund, Sewage Treatment Plant Connection Fee Fund, and the Sewer Service and Use Charge Fund.

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***San José/Santa Clara  
Treatment Plant  
Operating Funds***

<b><i>(\$000s)</i></b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 142,961	\$ 157,772	\$ 14,811	10.4%
<i>Expenditure</i>	164,247	153,890	10,357	6.3%
<i>Fund Balance (est.)</i>	59,370 *	60,546	1,176	2.0%

\* Refers to the 2005-2006 Ending Fund Balance estimate used to develop the 2006-2007 Adopted Budget.

Year-end revenues ended the year with a \$14.8 million positive variance primarily due to higher than budgeted revenues in the Sewer Service and Use Charge Fund (SSUC) (\$14.5 million). The main reasons for this variance was an unbudgeted transfer of \$12.5 million from a debt service fund (Clear Water Financing Authority Payment Fund) as a result of past overpayments for debt service payments from the SSUC Fund and higher than budgeted sewer collections in the industrial sector (\$1.7 million). In the Sewage Treatment Plant Connection Fee Fund, actual connection fee receipts ended the year above budgeted levels (\$176,000), and revenues in the San José-Santa Clara Treatment Plant Operating Fund ended the year at budgeted levels.

Overall, year-end expenditure savings of \$10.4 million were generated, mainly resulting from savings in the San José/Santa Clara Treatment Plant Operating Fund (\$3.1 million), Sewage Treatment Plant Connection Fee Fund (\$3.5 million), and in the Sewer Service and Use Charge Fund (\$3.7 million). The majority of savings in the San José/Santa Clara Treatment Plant Operating Fund were realized in the Environmental Services Department's appropriations (\$3 million).

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## ENTERPRISE FUNDS (CONT'D.)

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### San José/Santa Clara Treatment Plant Operating Funds (Cont'd.)

Of these savings, \$1.6 million was personal services savings due to vacant positions and \$1.4 million was attributed to miscellaneous non-personal/equipment savings. Savings in the Sewage Treatment Plant Connection Fee Fund (\$3.5 million) resulted from a smaller than expected loan to the Anti-Tobacco Master Settlement Agreement Revenue Fund. The majority of savings in the Sewer Service and Use Charge Fund can be attributed to vacancy savings in the Department of Transportation (\$1.3 million), and major litigation costs (\$600,000). The savings of \$1 million reflected in the unexpended sanitary sewer claims represents outstanding and anticipated claims. This same amount has been incorporated into the 2006-2007 budget. As part of this document, savings are recommended for rebudget to partially offset costs associated with the C-UBS for consultants and new hauler configuration and modifications (\$165,000).

The actual year-end fund balance exceeded estimates by \$1.2 million. This was the combined result of higher than anticipated revenues and lower than expected expenditure savings described above.

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## ENTERPRISE FUNDS (CONT'D.)

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### Water Utility Fund

The Water Utility Fund supports the operations of the Municipal Water System, which provides water service to the North San José, Evergreen, Alviso, Edenvale, and Coyote areas. This fund is financed through user charges.

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#### *Water Utility Fund*

<i>(\$000s)</i>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 22,286	\$ 20,385	\$ (1,901)	(8.5%)
<i>Expenditure</i>	22,931	21,251	1,680	7.3%
<i>Fund Balance (est.)</i>	5,170 *	5,014	(156)	(3.0%)

\* Refers to the 2005-2006 Ending Fund Balance estimate used to develop the 2006-2007 Adopted Budget.

The negative revenue variance (\$1,901,000) is the result of lower than budgeted Water Sales collections (\$1,931,000), partially offset by higher than expected interest earnings (\$30,000). Water sales ended the year below expectations due to a wetter than usual rain season.

Expenditure savings (\$1.68 million) primarily resulted in the Environmental Services Department Non-Personal/Equipment appropriation (\$1.6 million). The majority of this savings was due to lower than budgeted water purchases, savings in electricity, and other non-personal/equipment savings. In addition, vacancies in the Environmental Services Department resulted in expenditure savings of \$76,000 in personal services. As part of this document, savings are recommended for rebudget to partially offset costs associated with the C-UBS for consultants and new hauler configuration and modifications (\$72,425).

The negative ending fund balance variance (\$156,000) resulted from the combined impact of the lower than estimated revenues (\$1.9 million) and expenditure savings (\$1.74 million).